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The Director of Central Intelligence
Washington, D.C. 20505

National Intelligence Council

NIC 04257-85/1
23 August 1985

MEMORANDUM FOR: Distribution

FROM: Carl W. Ford, Jr.
National Intelligence Officer for East Asia

SUBJECT: East Asia Warning and Forecast Meeting of
21 August 1985

1. Representatives of the Intelligence Community met on 21 August to consider the attached subjects.

2. Next month's Warning and Forecast Meeting will be held on Wednesday, 18 September 1985 at 1400 hours in Room 7E62, CIA Headquarters. Recommendations for discussions/warning topics should be forwarded to this office by COB 4 September 1985.

3. Attendees from outside agencies are advised to arrive early to avoid parking problems created by construction work. Please enter the compound through Gate 1, the Route 123 entrance. Please telephone attendance intentions to [redacted] and have your clearances verified to us by your security office by COB 16 September 1985.

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Carl W. Ford, Jr.
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Attachment

21 August 1985 Warning Report

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National Intelligence Council

NIC 04257-85
23 August 1985

MEMORANDUM FOR: Director of Central Intelligence
Deputy Director of Central Intelligence

VIA: National Intelligence Officer for Warning

FROM: Carl W. Ford, Jr.
National Intelligence Officer for East Asia

SUBJECT: 21 August 1985 East Asia Warning and Forecast Meeting

Singapore: Slowdown in Economic Growth

1. [] OEA, discussed the economic situation in Singapore which is now experiencing the most dramatic recession in its history. In spite of earlier optimistic government projections, growth this year is likely to be only 2 percent, an abysmal performance given Singapore's normal 8-10% growth rate. Petroleum refining, tourism, retail sales, construction and shipping are all down. The government will help to stimulate construction by reversing its previous policy of gradually reducing government expenditures in construction.

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2. This problem could be of long duration since the development of oil refining capacity in Indonesia, Saudi Arabia and elsewhere will, over time, reduce Singapore's role as a major oil refining center and have an overall negative effect on trade. The government may well be underestimating the seriousness of the problem since Lee Kuan Yew is publicly claiming that the economy will be back on track by 1987.

3. Lee is personally overseeing the government response to the recession. The government has created eleven new venture capital firms for overseas investment; these firms hope to acquire technology for Singapore's further economic expansion. The government is also lowering various taxes and fees hoping to stimulate business. However, these incentives may be inadequate. Many industries are trying to get Lee to reduce their contributions to the Central Provident Fund which covers worker benefits. Lee has responded with a plan for a two-year wage freeze to allow worker productivity to catch up with wages so that labor costs

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will be more comparable with Singapore's neighbors thereby making Singapore more competitive. Many industries believe that this response is inadequate, but, thus far, Lee has been unwilling to compromise on the issue of contributions to the Fund.

WARNING NOTE:

Singapore will continue to rely on the United States as a source for many high tech components, products and consumer goods. However, Singapore may press the United States to accept more textiles to pay for its imports. Singapore's loose copyright and intellectual property laws have been a boon to its publishing, cassette tape and computer peripherals industries, but have raised objections from US publishers. Economic difficulties will make Singapore reluctant to revise its laws in response to these complaints.

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Burmese Party Congress

1. [] OEA, discussed the recent Congress of the Burmese Socialist Program Party (BSPP). The overall result of the Congress was to strengthen the status quo. Chairman Ne Win is firmly in charge, and the Congress confirmed President San Yu's position as the second in command. During the Congress, President San Yu was voted to the position of Party Vice Chairman, and a newly-adopted constitutional amendment says that the Vice Chairman will assume the position of acting Chairman if there is a vacancy in the post, until the Central Committee elects a new Chairman within thirty days. []

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[] San Yu has some health problems, and his wife has been charged with corruption. However, this will not deter him from succeeding Ne Win.

2. San Yu is likely only to be a figurehead, and not a long term successor. The military will likely determine Ne Win's eventual successor. The Congress appointed 100 new members of the Central Committee. Up-and-coming figures who will probably be given new positions in the government include Deputy Defense Minister Saw Maung and Deputy Prime Minister Maung Cho.

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PRC F-7/F-8 Upgrade

1. [] DIA, discussed China's efforts to improve its air defense interceptor force of F-7s and F-8s. All Chinese interceptors are limited by range, armament and avionics capabilities. Accordingly, the assignment of F-7 Fishbed and F-8 Finback aircraft to operational units is only marginally improving air defense capabilities. The Chinese have made some improvements to the F-7 and have even developed an export model which they plan to sell to various countries such as Pakistan and, perhaps, Thailand.

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2. The Chinese hope to improve the under powered, poorly armed, low-tech F-8 (a real "dog") by acquiring avionics from the US which would give the F-8-2 version a lookdown shoot-down capability and improve its all-weather capability. There are reports that China has acquired the Israeli-produced Python air-to-air missile which is similar to the US-produced Aim 9L with an all-aspect capability. The Chinese are also negotiating with Italy to acquire the Aspide missile which can be used in a surface-to-air mode and an air-to-air mode. If the Chinese purchase a large number of these missiles, especially if they get coproduction rights, they will have solved one of the biggest problems facing them in the air combat arena--the deployment of an all-weather, all-aspect, long-range intercept missile on their F-8. The Chinese are also negotiating to acquire a US-produced engine for the F-8.

3. Acquisitions from the US will take at least 5 years to become part of operational systems. Even then, Soviet capabilities will continue to outstrip Chinese improvements; consequently, the gains for China in military terms appear to be minimal as far as the F-8 is concerned. Some believe that the Chinese would be better advised to just start over from scratch than attempt all of the contemplated improvements. The Chinese are probably hoping to acquire technology, which together with knowledge from returned students, can be incorporated in future generations of indigenously designed aircraft.

WARNING NOTE:

During the next 5 years China will not produce a sufficient number of F-7s and F-8s equipped with modern engines, avionics and missiles to alter significantly the air balance with the Soviet Union. Other systems such as SAMs, AAA, radar, and Command, Control and Communications must also be improved before overall air defense capabilities can be enhanced. By the mid-to-late 1990s, depending upon the amount and type of Western assistance provided, China could have enough relatively modern fighters to at least make an air attack upon them very costly, thus providing them with a more effective deterrent.

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✓ In a closer military relationship with China, the US could gain some ability to influence the growth of the Chinese air force; also, US firms could, in the short term, profit from the sale of technology, though, in country production will remain China's preferred method for achieving force improvements.

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